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SUBJECT: U.S. FIRM PLAYS CHONGQING CONNECTIONS AGAINST CENTRAL GOVERNMENT

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¶1. (U) This cable contains sensitive but unclassified information - not for distribution on the Internet.

¶2. (SBU) Summary: TY Lin International China (TYLI China), a U.S. bridge and transportation consulting firm, has used its position of being headquartered in Chongqing to great advantage, using its close relations with the municipal government to secure help in dealing with the central government and bringing all of the firm's China offices under the technical licenses of the Chongqing office to overcome extremely high bureaucratic hurdles for approval in other provinces, they told us. In addition to several current Class A licenses, the firm hopes to secure a license for rail projects, but participation in rail and urban planning projects is limited by the government due to "security" concerns. End Summary.

¶3. (U) Consul General met September 22 with Chwen Siripocanont, Senior Vice President of U.S.-based international bridge and transportation consulting firm TY Lin International at the company's China headquarters in Chongqing. Originally established in 1954 in San Francisco by a Chinese-American, TY Lin International Chongqing was established in 1994 and focuses on urban transportation infrastructure, including bridge, roadway, and rail transit projects. In 2009, TY Lin's offices in Shanghai, Shenyang and Tianjin were unified under the Chongqing office's licenses, forming TYLI China. The company now has over 300 professionals, 200 of whom are based in Chongqing.

Chongqing Relations Help with Central Government

¶4. (SBU) Siripocanont, who is a naturalized U.S. citizen from Taiwan, said that most other design firms have their headquarters in Shanghai, so that Chongqing's Municipal Government appreciates TYLI China's early choice of the city for its home. TYLI China's good relationship with Chongqing has resulted in a preferential income tax of 15 percent compared to the 25 percent national average. TYLI China has also been able to use these close relations to influence the central government. Explaining that foreign firms need central government approval to use the word "China" in their name, Siripocanont said that when TYLI China applied in Beijing for such approval, the Chongqing government provided essential assistance. The firm also plans to use its close relationship with the Chongqing government to attempt to secure a license for rail planning.

Using Chongqing Licenses to Cover Other Offices

¶5. (SBU) TYLI China had a distinct advantage over other firms attempting to get approval to do bridge and transportation design work in China owing to the fact that TYLI Chongqing was able to secure licenses in 1994 when the door to this industry

in China was briefly open, Siripocanont explained. To outside observers, the door now appears wide open, but in fact the steps required to obtain licenses are very onerous and so TYLI China's other offices were not able to get licenses from other provincial governments. When the firm decided to expand, it was able to consolidate other offices under the Chongqing office's licenses. (Note and Comment: China's WTO commitment for the construction industry was to allow wholly foreign-owned enterprises to operate with few restrictions within three years of accession. The letter of the commitment appears to have been met, though it appears that the spirit of it is not if China-experienced firms like TYLI are having to resort to organizational acrobatics and leveraging local "guanxi" (relationships) in order to obtain the needed licenses. End Note and Comment.)

TYLI China's Unique Position in Western China

¶ 16. (SBU) TYLI China was one of the first Sino-Foreign joint ventures approved by the Ministry of Construction and the Ministry of Foreign Trade and Economic Cooperation to receive Class A approval for engineering consulting, municipal planning, and urban planning services (though not general urban planning), as well as having recently been awarded Class A status for environmental design. Most foreign design companies operating in China are only allowed to do master planning and consultation, but not design work, Siripocanont said. TYLI China is the only foreign design firm in western China which has government licenses to do planning, consultation, and design work.

Limited Urban Planning and Rail Due to "Security"

¶ 17. (SBU) TYLI China is not, however, allowed to do general urban
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planning, as this is considered too sensitive, Siripocanont said. Foreign firms are only allowed to do Class B urban planning, though when the government is ready to refine master urban plans that have been conducted by local firms, TYLI China can then get involved due to its Class A engineering license.

¶ 18. (SBU) Nor is the firm able to secure a license for rail planning, as rail and airports are considered "security" issues in China, she continued. The company attempted to get involved in traffic management work with the Public Security Bureau's Traffic Management Department, but they were unwilling to cooperate as plans for an Intelligent Transportation System (ITS) were deemed too sensitive due to the need for an extensive system of cameras and closed-circuit television. TYLI China opted instead to enter into a joint venture with the Chongqing Rail Design Institute (TYLI China taking a 25 percent stake), but because TYLI China has no rail license they cannot do any work beyond Chongqing without forming additional joint ventures in other provinces.

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